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Macroeconomic policy questions: external debt crisis and development

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 97 (see A/54/585, para. 2). Action on sub-item (e) was taken at the 15th and 48th meetings, on 19 October and 9 December 1999. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/54/SR.15 and 48).

II. Consideration of draft resolutions A/C.2/54/L.2 and A/C.2/54/L.71

2. At the 15th meeting, on 19 October, the representative of Guyana, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/54/L.2), which read:

> "*The General Assembly,*
>
> "*Recalling* its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997 and 53/175 of 15 December 1998 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

* The report of the Committee on this item will be issued in six parts, under the symbol A/54/585 and Add.1-5.

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"*Reaffirming* the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries in order to help them to attain a lasting exit from unsustainable debt burdens,

"*Recognizing* the continuing efforts of debtor countries, despite the great social cost involved, to pursue economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, reducing inflation, improving economic efficiency and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations,

"*Noting with concern* the continuing debt and debt-servicing problems of developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all the onerous debt and debt-service burdens connected with the various types of debt of developing countries on the basis of an effective, equitable, development-oriented and durable approach,

"*Noting with great concern* the continuing high debt burden borne by African countries and least developed countries, as exacerbated by the continuous declines in commodity prices,

"*Noting also with great concern* that the recent financial crises have aggravated the debt-servicing burden of many developing countries, including middle-income countries, making it difficult for them to raise enough resources for debt servicing,

"*Noting with concern* that a growing number of middle-income developing countries are facing grave difficulties in sustaining external debt servicing and that some of these countries have become highly debt-distressed,

"*Stressing* that debt sustainability of middle-income developing countries is essential to their sustained economic growth and to the smooth functioning of the world economy,

"*Noting with great concern* that the debt overhang of the heavily indebted poor countries is far from being lifted and that the pace of implementation of the Heavily Indebted Poor Countries Debt Initiative has been very slow because of the complexity of the process itself and because of financing constraints,

"*Stressing* the need for the evolving international debt strategy to address fully the debt sustainability of developing countries, and, in this connection, stressing the urgent need for a full and swift implementation of initiatives that will further assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their high and unsustainable levels of total debt stock and servicing burdens,

"*Stressing also* the need for a supportive international economic environment that is conducive to improving the developing countries' terms of trade, market access and access to technology, as well as to fostering better commodity prices, stable exchange rates and international interest rates and to enabling the provision of sufficient resources for development,

"*Welcoming* the initiative of the Group of Seven major industrialized countries, launched at its meeting in Cologne, Germany, in June 1999, and the recent decisions of the International Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative,

"*Acknowledging* the actions taken by creditor countries both within the framework of the Paris Club and through the cancellation and equivalent relief of bilateral debts,

"*Emphasizing* that mechanisms such as debt rescheduling and debt conversion have not resolved problems relating to the long-term debt sustainability of indebted developing countries,

"*Emphasizing also* that the international community should consider further appropriate measures in order to contribute to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries,

"1. *Takes note* of the report of the Secretary-General on recent developments in the debt situation of the developing countries;

"2. *Recognizes* that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing burdens of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

"3. *Recognizes also* that the Cologne initiative and the recent decisions adopted by the World Bank and the International Monetary Fund on the enhanced Heavily Indebted Poor Countries Debt Initiative contribute to achieving durable solutions to the external debt and debt-servicing burdens of developing countries, in particular of the heavily indebted poor developing countries;

"4. *Recognizes further* that a principal obstacle for the speedy implementation of the Heavily Indebted Poor Countries Debt Initiative is financial constraints, and, in this regard, reiterates the call for the industrialized countries that have not yet contributed to the Enhanced Structural Adjustment Facility (now renamed Poverty Reduction and Growth Facility) and the Heavily Indebted Poor Countries Trust Fund to come forward immediately with their contributions;

"5. *Notes* that even with the so-called 'floating completion points', the two three-year stages of implementation of the Initiative in eligible countries still represents a long time-frame before actual debt relief could happen, and, in this regard, encourages consideration to shorten further the time-frame for implementation of the Initiative to eligible countries so that debt relief can be provided to them in the quickest manner possible, thereby helping them immediately to move towards the path of economic recovery and development;

"6. *Notes also* that while there is now a possibility to expand eligibility under the Initiative to 36 countries, there is still a need to review the list of heavily indebted poor countries, including the cases of borderline heavily indebted countries, in order to ensure that all poor countries facing debt-servicing difficulties will be considered under the Initiative, and, in this regard, also encourages consideration to apply less restrictive eligibility criteria, notably by reducing the threshold of ratios of debt to exports and debt service to exports;

"7. *Invites* the International Monetary Fund to strengthen the transparency and integrity of debt sustainability analysis through, *inter alia*, the commissioning and making use of studies prepared by impartial sources that are selected in consultation with creditors and debtors and relevant United Nations bodies, as appropriate;

"8. *Notes* the agreement on the elements of a financing plan for multilateral development banks that will permit the enhanced framework for the Heavily Indebted Poor Countries Debt Initiative to be launched and the delivery of debt relief to begin for those countries requiring retroactive relief and those expected to reach their decision points over the near term, and, in this regard, stresses the importance of applying the enhanced Initiative to those eligible countries which have already reached their decision or completion points within the framework of the previous Initiative;

"9. *Stresses* the need for flexible implementation of the proposed framework for strengthening the link between debt relief and poverty reduction, and, in this regard, emphasizes that the absence of an agreed poverty reduction strategy paper should not hinder the reaching of a decision point and that in all cases a demonstrable progress in implementing a poverty reduction strategy in countries eligible under the Initiative should be sufficient for the decision and completion points to be attained under its enhanced framework;

"10. *Emphasizes* that poverty reduction programmes as linked to the implementation of an enhanced Initiative must be country-driven and in accordance with the priorities and programmes of countries eligible under the Initiative;

"11. *Stresses* the critical need for all debt relief initiatives to be guided by more transparent and predictable modalities, involving debtor countries in any review and analysis that is conducted during the adjustment period;

"12. *Urges* creditor countries to consider full cancellation of bilateral official debts of countries eligible under the Initiative, post-conflict countries, in particular those with protracted arrears, developing countries affected by serious natural disasters and countries with very low social and human development indicators, and, in this regard, calls upon the Secretary-General to examine ways and means of building coalitions with civil society organizations and non-governmental organizations in creditor countries, including Jubilee 2000, to ensure in the shortest possible time the implementation of pronouncements on debt forgiveness in order that countries eligible under the Initiative will quickly benefit from such pronouncements;

"13. *Reiterates* the fundamental principle, in keeping with previous resolutions of the General Assembly, that funding of any debt relief should not affect the support required for other development activities in favour of developing countries, and, in this regard, welcomes the decision of the Joint International Monetary Fund/World Bank Development Committee that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association, and expresses its appreciation that certain developed countries have reached or even gone beyond the internationally agreed target for official development assistance of 0.7 per cent, while, at the same time, calling upon other developed countries to fulfil this target for official development assistance;

"14. *Expresses its appreciation for* the action taken by creditor countries of the Paris Club in December 1998 with regard to the debts of countries affected by hurricane Mitch, and, in this regard, reiterates the need for bilateral relief promises to come to fruition in the shortest possible time-frames in order to free the requisite resources for national reconstruction efforts, welcomes the decision of various countries to condone bilateral debt to Honduras and Nicaragua and invites others to follow their example;

"15. *Encourages* the international creditor community to consider appropriate measures in the case of countries with a very high level of debt overhang, including,

where appropriate, debt conversion measures for the low-income countries of Africa, the least developed countries and middle-income countries, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

"16. *Recognizes* the economic and social costs being incurred by the middle-income developing countries because of their external debt-servicing obligations, and notes the worsening situation in some of them, which may lead to insolvency, thus requiring outright debt reduction;

"17. *Calls for* concerted action effectively to address debt sustainability of middle-income developing countries with a view to resolving their long-term debt sustainability problems, including through major reduction of their debt stock and other appropriate and orderly mechanisms for debt reduction, encourages private creditors, in particular, commercial banks, to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, in particular those affected by the recent financial crises, and also encourages all creditor and middle-income debtor countries to utilize to the fullest extent possible all existing mechanisms for debt reduction;

"18. *Recognizes* the need to enhance the ability of existing facilities to provide debt-relief measures through various debt-conversion programmes, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps and other debt-for-development swaps, to be implemented widely so that the countries concerned may be assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held in Copenhagen in March 1995;

"19. *Recognizes also* the adverse impact of the volatility of short-term capital flows and exchange rates on interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies, as well as orderly, gradual and well-sequenced approaches to capital account liberalization, in order to mitigate the impact of such volatility and reduced access to external financing;

"20. *Takes note* of the reform of Poverty Reduction and Growth Facility operations to focus on giving greater prominence to the goal of supporting countries' poverty reduction efforts, while recognizing that debt relief alone will be insufficient to achieve the goal of poverty eradication, and, in this regard, emphasizes the urgency of securing its adequate level of funding support;

"21. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, in particular the appropriate actions required in favour of those countries concerning their official bilateral, commercial and multilateral debts;

"22. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, in particular to the least developed countries, in order to support the implementation of economic reforms and stabilization and structural adjustment programmes by the developing countries that will enable them to extricate themselves from the debt overhang and attract new investments and to assist them in achieving sustained economic growth and sustainable development and the eradication of poverty;

"23. *Also stresses* the importance of additional debt-relief measures in the light of the adverse effects of the international financial crises on the mobilization of both domestic and external resources for the development of the developing countries, including those in Africa and the least developed countries;

"24. *Further stresses* the importance of trade to development, poverty alleviation and sustained global economic recovery, and, in this regard, emphasizes the need for the next round of trade negotiations to deliver early and substantial benefits to developing countries, as well as improving their market access and further reducing barriers to their trade;

"25. *Urges* the international community, including the United Nations system and the Bretton Woods institutions, and the private sector to take appropriate measures and actions for the implementation of commitments, agreements and decisions resulting from the major United Nations conferences and summits organized since the beginning of the 1990s on development, as well as from the outcomes of review processes, related to the question of the external debt and debt-servicing problems of developing countries;

"26. *Requests* the Secretary-General to include in his report on this item to the General Assembly at its fifty-fifth session a comprehensive and substantive analysis of the external debt problems of the heavily indebted poor countries, least developed countries and middle- income developing countries, as well as proposals for specific and concrete measures or mechanisms to resolve these problems in a durable manner;

"27. *Also requests* the Secretary-General to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution."

3. At the 48th meeting, on 9 December, the Vice-Chairman of the Committee, Giovanni Brauzzi (Italy), introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/54/L.71), which he submitted on the basis of informal consultations held on draft resolution A/C.2/54/L.2.

4. At the same meeting, statements were made by the representatives of the Philippines, the United States of America, Cameroon and Côte d'Ivoire (see A/C.2/54/SR.48).

5. Also at the same meeting, the Committee adopted draft resolution A/C.2/54/L.71 (see para. 7).

6. In the light of the adoption of draft resolution A/C.2/54/L.71, draft resolution A/C.2/54/L.2 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

7. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997 and 53/175 of 15 December 1998 on enhancing international cooperation towards a durable solution to the external debt problems of developing countries,

Reaffirming the urgent need for further implementation in an effective, equitable and development-oriented way of existing mechanisms for the treatment of the external debt and debt-servicing problems of developing countries in order to help them to exit from the rescheduling process and unsustainable debt burdens,

Welcoming and emphasizing the importance of the efforts of debtor countries, despite the great social cost often involved, in pursuing economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, attaining competitiveness to take advantage of market access opportunities where available, reducing inflation, improving economic efficiency and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations, and encouraging them to continue in these efforts,

Welcoming the debt initiative launched by the Group of Seven major industrialized countries at its meeting held in Cologne, Germany, from 18 to 20 June 1999, and the recent decisions of the International Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative, which should provide deeper, broader and faster debt relief,

Noting with great concern that one of the major obstacles to the speedy implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative is financial constraints, stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries, and in this regard stressing also that the Heavily Indebted Poor Countries Trust Fund must be adequately funded,

Welcoming the actions taken by creditor countries within the framework of the Paris Club and by some creditor countries through the cancellation and equivalent relief of bilateral debts,

Noting with concern the continuing debt and debt-servicing problems of heavily indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all, where applicable, the onerous debt and debt-service burden with the aim of attaining a sustainable level of debt and debt service on the basis of an effective, equitable, development-oriented and durable approach, and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting with great concern the continuing high debt burden borne by most African countries and least developed countries as exacerbated, *inter alia*, by the declining trend in many commodity prices,

Noting also with great concern that the recent financial crisis has aggravated the debt-service burdens of many developing countries, including low-income and middle-income countries, particularly in the context of meeting their international debt and debt-servicing obligations in a timely fashion despite serious external and domestic financial constraints,

Noting with concern that a growing number of highly indebted middle-income developing countries are facing difficulties in meeting their external debt-servicing obligations, owing, *inter alia*, to liquidity constraints,

Stressing that effective management of the debt of developing countries, including middle-income countries, is an important factor among others in their sustained economic growth and in the smooth functioning of the world economy,

Noting with great concern that the debt overhang of the heavily indebted poor countries still constitutes a problem hampering their development, and in this context emphasizing the importance of the full and speedy implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative,

Stressing the need for evolving debt strategies to continue to address the debt sustainability of developing countries, and in this connection stressing also the urgent need for full and swift implementation of initiatives that will further assist developing countries, in particular the poorest and most heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high levels of total debt stock and debt-service burdens,

Stressing also the need for continuing global economic growth and a continuing supportive international economic environment with regard to, *inter alia*, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for sustained economic growth and sustainable development of the developing countries, in accordance with the relevant General Assembly resolutions and recent United Nations conferences,

Noting that mechanisms such as debt rescheduling and debt conversions alone are not sufficient to resolve all the problems relating to long-term debt sustainability,

Stressing the importance of a sound enabling environment for effective debt management,

Recognizing those efforts of the international community that contribute to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and emphasizing that the international community should consider further appropriate measures to that end,

1. *Takes note* of the report of the Secretary-General on recent developments in the debt situation of developing countries;[1]

2. *Recognizes* that effective, equitable, development-oriented and durable solutions to external debt and debt-service burdens of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development in accordance with the relevant General Assembly resolutions and recent United Nations conferences;

3. *Also recognizes* that the Cologne debt initiative and the recent decisions of the World Bank and the International Monetary Fund on the enhanced Heavily Indebted Poor Countries Debt Initiative contribute to achieving durable solutions to the external debt and debt-service burdens of the heavily indebted poor developing countries;

4. *Reiterates* the call for industrialized countries that have not yet contributed to the Enhanced Structural Adjustment Facility (now renamed Poverty Reduction and Growth

[1] A/54/370.

Facility) and the Heavily Indebted Poor Countries Trust Fund to come forward immediately with their contribution;

5. *Notes* the agreement on the elements of a financing plan for multilateral development banks and in this regard stresses the urgency of providing new and additional resources to secure adequate funding for an overall financing plan for the enhanced Heavily Indebted Poor Countries Debt Initiative, including in particular the Heavily Indebted Poor Countries Trust Fund in the context of equitable and transparent burden-sharing that would permit the Initiative to be launched and the delivery of debt relief to begin for those countries requiring retroactive relief and those expected to reach their decision points over the near term, without compromising the financing made available through concessional windows such as the International Development Association, and in this regard stresses the importance of applying the enhanced Initiative in those eligible countries that have already reached their decision and completion points within the framework of the previous Initiative;

6. *Also notes* that the so-called floating completion points approach offers the opportunity to shorten the time-frame for implementation of the Heavily Indebted Poor Countries Debt Initiative to countries that meet the necessary conditions so that debt relief can be provided faster than under the original heavily indebted poor countries framework, and in this regard urges speedy implementation of the approach and welcomes the flexibility that the enhanced Initiative provides in terms of interim assistance and front-loading of the delivery of debt to qualifying eligible countries;

7. *Stresses* the importance of implementing the Heavily Indebted Poor Countries Debt Initiative flexibly, including shortening the interval between the decision and completion points, taking due account of the policy performance of the countries concerned in a transparent manner and with the full involvement of the debtor countries;

8. *Notes* that there is now a possibility of expanding eligibility under the Heavily Indebted Poor Countries Debt Initiative to thirty-six countries, and in this regard looks forward to an early review of the list of heavily indebted poor countries;

9. *Stresses* the importance of considering increased flexibility with regard to Heavily Indebted Poor Countries Debt Initiative eligibility criteria, including continuously evaluating and actively monitoring the implication of existing terms of the eligibility criteria so as to ensure sufficient coverage of heavily indebted poor countries, increased flexibility being, in this context, particularly important for known borderline cases and countries in post-conflict situations, in respect of, *inter alia*, avoiding delays in the establishment of a track record of economic performance caused by temporary setbacks due to external shocks in order to help them to exit from the rescheduling process and from unsustainable debt burdens;

10. *Invites* the International Monetary Fund and the World Bank to continue to strengthen the transparency and integrity of debt sustainability analysis, and encourages the further commissioning of relevant independent studies on the debt problem of developing countries;

11. *Welcomes* the proposed framework for strengthening the link between debt relief and poverty eradication and stresses the need for its flexible implementation, recognizing that, while the poverty reduction strategy paper should be in place by the decision point, on a transitional basis the decision point could be reached without agreement on a poverty paper, but that in all cases demonstrable progress in implementing a poverty reduction strategy would be required by the completion point;

12. *Emphasizes* that poverty reduction programmes as linked to the implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative must be country-driven

and in accordance with the priorities and programmes of countries eligible under the Initiative, and stresses the role of civil society in this regard;

13. *Stresses* the need for debt-relief initiatives to be guided by enhanced transparency and predictability, involving debtor countries in any review and analysis that is conducted during the adjustment period;

14. *Welcomes* the decision of those countries that have cancelled bilateral official debt and urges creditor countries that have not done so to consider full cancellation of bilateral official debts of countries eligible under the Heavily Indebted Poor Countries Debt Initiative and, as appropriate, action to address the needs of post-conflict countries, in particular those with protracted arrears, developing countries affected by serious natural disasters and poor countries with very low social and human development indicators, including the possibility of debt-relief measures through, *inter alia*, the cancellation and equivalent relief of bilateral official debt, and stresses the importance of building coalitions with civil society organizations and non-governmental organizations in all countries to ensure in the shortest possible time the implementation of pronouncements on debt forgiveness in order that countries eligible under the Initiative may quickly benefit from such pronouncements;

15. *Notes* that the multilateral debt-relief funds can have a positive impact in respect of assisting Governments in safeguarding or increasing expenditures on priority social sectors and encourages donors to continue efforts in this regard in the context of the enhanced Heavily Indebted Poor Countries Debt Initiative;

16. *Stresses* the principle that funding of any debt relief should not affect adversely the support for other development activities in favour of developing countries, including the level of funding for the United Nations funds and programmes, and in this regard welcomes the decision of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries (Development Committee) that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association, and expresses its appreciation that certain developed countries have reached or even gone beyond the agreed target for official development assistance of 0.7 per cent of their gross national product, while at the same time calling upon other developed countries to fulfil this target for official development assistance as soon as possible;

17. *Expresses its appreciation* for the action taken by creditor countries of the Paris Club in December 1998 with regard to the debts of countries affected by hurricane Mitch, and in this regard reiterates the need for relief promises to come to fruition within the shortest possible time-frames in order to free the requisite resources for national reconstruction efforts, welcomes the decision of various countries to address the debt situation of Honduras and Nicaragua, including through cancellation of their bilateral official debt, and invites others to take similar action;

18. *Encourages* the international creditor community to consider appropriate measures in the case of countries with a very high level of debt overhang, including in particular low-income African countries, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

19. *Recognizes* the difficulties of highly indebted middle-income developing countries and other highly indebted middle-income countries in meeting their external debt and debt-servicing obligations, and notes the worsening situation in some of them in the

context, *inter alia*, of higher liquidity constraints, which may require debt treatment including, as appropriate, debt-reduction measures;

20. *Calls* for concerted national and international action to address effectively debt problems of middle-income developing countries with a view to resolving their potential long-term debt-sustainability problems through various debt-treatment measures, including, as appropriate, orderly mechanisms for debt reduction, and encourages all creditor and debtor countries to utilize to the fullest extent possible, where appropriate, all existing mechanisms for debt reduction;

21. *Recognizes* the efforts made by indebted developing countries with regard to fulfilling their debt-servicing commitments despite the high social cost incurred, and in this regard encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, in particular those affected by the financial crisis;

22. *Also recognizes* the need to continue to work with all creditors in order to facilitate continued access to international capital markets, and, in the event that extraordinary circumstances preclude a country from temporarily meeting its debt-servicing commitments, urges Governments to work with creditors in a transparent and timely fashion towards a workable resolution of the repayment problem;

23. *Further recognizes* the need to make the maximum use of existing debt-relief measures, including existing facilities to provide relief through various debt-conversion programmes, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps and other debt-for-development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion to be applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held in Copenhagen in March 1995;[2]

24. *Stresses* that debt relief should contribute to development objectives, including poverty reduction, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;

25. *Notes*, while recognizing the benefits of the liberalization of international capital flows, the adverse impact of the volatility of short-term capital flows on exchange rates, interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies and for the liberalization of capital accounts in an orderly, gradual and well-sequenced manner to keep pace with the strengthening of the ability of countries to sustain its consequences so as to mitigate the adverse impact of such volatility;

26. *Also notes* that debt relief alone will not lead to poverty reduction, and in this regard emphasizes the need for an enabling environment as well as for an efficient, transparent and accountable public service and administration, and also emphasizes the urgency of securing an adequate level of funding support for debt relief, in particular the agreement for an overall financing plan for the enhanced Heavily Indebted Poor Countries Debt Initiative;

27. *Stresses* the need to strengthen the institutional capacity of developing countries in debt management, calls upon the international community to support the efforts towards this end, and in this regard stresses the importance of initiatives such as the Debt

[2] See *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8).

Management and Financial Analysis System[3] and the debt-management capacity-building programme;

28. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[4] in particular the actions required in favour of those countries concerning their official bilateral, commercial and multilateral debts;

29. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, in particular to the least developed countries, in order to support the implementation by the developing countries of economic reforms and stabilization and structural adjustment programmes that will enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development, in accordance with the relevant General Assembly resolutions and recent United Nations conferences, and the eradication of poverty;

30. *Notes* the importance of providing adequate resources for debt-relief measures in the light of the adverse effects of the international financial crises on the mobilization of both domestic and external resources for the development of the developing countries, including those in Africa and the least developed countries;

31. *Stresses* the importance of trade to development, poverty alleviation and sustained global economic recovery, and in this regard emphasizes that multilateral trade negotiations should deliver early and substantial benefits to developing countries, in particular the least developed countries, as well as improve market access and further reduce barriers to trade;

32. *Also stresses* the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development, so as to favour their exit from debt and debt-servicing problems, and further stresses the need for the international community to promote a conducive external environment through, *inter alia*, improved market access, stabilization of exchange rates, effective stewardship of international interest rates, increased resource flows, access to international financial markets, flow of financial resources and improved access to technology for developing countries;

33. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development, as well as of the outcomes of review processes, in particular those related to the question of the external debt problem of developing countries;

34. *Requests* the Secretary-General to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution and to include in his report a comprehensive and substantive analysis of the external debt and debt-servicing problems of the developing countries.

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[3] The Debt Management and Financial Analysis System is a computerized system developed by the United Nations Conference on Trade and Development to assist developing countries and countries with economies in transition in developing appropriate administrative, institutional and legal structures for effective foreign and domestic public debt management. By June 1999, the system had been installed in the debt offices of fifty countries in Africa, Asia, Europe and Latin America and the Caribbean.

[4] Resolution 50/103, annex.